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**Testimony of Senator Jeff Plale on SB 223
Senate Committee on Commerce, Utility and Rail
August 23rd, 2007**

I am here to give my support for SB 223, a bill which expands the area that is eligible for Tax Incremental Financing (or TIF). Currently, TIF districts are used in many communities to help Wisconsin compete for business and attraction and to revitalize commercial and residential areas that are blighted. Areas that have been deemed TIF districts have seen a great deal of progress, however, the lines that are drawn to create such districts are too strict and must be made more flexible in order for a full community to flourish.

SB 223 was created so that TIF districts are allowed to serve their intended purpose: helping blighted areas. For example, if you rebuild a commercial area, the TIF district does not allow the community to develop the residential area that surrounds it.

In the city of Kenosha, the idea behind SB 223 is currently being used and has been received as a success. In Kenosha TIF districts are now allowed to expand a half mile beyond their limits to aid blighted areas that would have previously been ignored by strict TIF district lines.

Because of Kenosha's success, I believe this policy needs to expand to include all TIF districts in Wisconsin, so that other hard hit areas, like Milwaukee, Racine and others can reap the benefits.

This bill also maintains accountability. It is important to note that, if passed, this bill would not guarantee that these expansions could be carried out. If a community would like to take advantage of this new law, they must have their expansion approved by the Joint Review Board.

I again want to stress, this bill allows TIF districts to serve their intended purpose by creating flexibility, all while maintaining accountability. When such TIF enhancements are applied state-wide all municipalities across the state can benefit.

Thank you for hearing my testimony. If there are any questions, I would be happy to address them.





State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Ways and Means Committee Hearing, July 11, 2007

AB 409 – Expand TIF Project Cost Expenditure Area (Rep. Newcomer)

Description of Current Law and Proposed Change

Tax Incremental Finance (TIF) is a financing tool available under current law to cities, villages, and, to a limited extent, towns to encourage economic development that would not occur without some public assistance. When a TIF district is created, the current property value in the district is set as the "base value." Improvements and development that occur after the TIF district is created lead to increases in its value over the base value (the increase is referred to as the increment value). The property taxes levied by all local taxing jurisdictions (i.e. the municipality, county, school district, technical college and any special districts) on the value increment are used to pay for the project costs needed for the development to occur. The tax on the base value continues to go to the taxing jurisdictions that levy the tax. After a TIF district terminates, the taxes paid by property owners within the district – on both the base value and value increments – are shared by all taxing jurisdictions.

Project expenditures must generally be made within the boundaries of a district. An exception exists for blighted areas in Kenosha where project expenditures that are approved by the Joint Review Board (JRB) may be made within a one-half mile radius of the district. The JRB is comprised of five members who represent the interests of the municipality, its overlying districts (school, technical college, and county) and the public.

This bill would allow cities or villages, other than Kenosha, to make or incur expenditures within a one-half mile radius of the boundaries of TIF districts if the expenditures are approved by the JRB.

Fairness/Tax Equity

- While the bill requires JRB approval of expenditures outside a TIF district's boundary, the bill allows TIF project plans and costs to be amended without public notice, public hearing, or other procedures generally required of amendments. This lack of procedure limits the ability of affected taxpayers to express concern about a change to the district.
- Extending the expenditure area for a TIF district to include additional project costs could lengthen the period that the district would need to be in effect in order to pay for the additional project costs. As a consequence, the taxpayers in the overlying jurisdictions will be denied the benefit of the TIF value increment for a longer period, and effectively, these taxpayers will pay for the project expenditures outside of the district boundaries.

- It is possible that the procedures under the bill may be used to weaken the 12% capacity limit under current law. Under the 12% capacity limit, a municipality cannot create a new district if the total equalized value attributable to investment in all existing districts (the value increment) divided by the total equalized value of the municipality is greater than 12%. Under the bill, municipalities may create a TIF district that is under the capacity limit and then expand the district's expenditure area by the half-mile radius, thereby essentially exceeding the limit.

Impact on Economic Development

- The bill may help prompt further economic benefit by allowing certain investments not otherwise possible or feasible.
- The bill may also allow a more comprehensive redevelopment effort that is more flexible than current law to address changing public investment needs.
- TIF is a financing tool intended to encourage economic development that would not occur without some public assistance. However, if public assistance is to be provided, public notice and hearing may be desirable.

Administrative Impact/Fiscal Effect

- Information is not available for a reasonable estimate of the tax shift that would result from the bill. However, to the extent that project costs would be incurred for a larger territory and for a longer period of time, the bill would result in longer lives for TIF districts. As a result, overlying taxing jurisdictions, such as the school district, county and vocational college district, could be required to forego the tax base associated with the development within districts for longer periods (and consequently, these overlying jurisdictions would have higher tax rates than would otherwise occur for longer periods of time).
- Several provisions in the bill conflict with existing TIF law. Under the bill, these pieces of existing law remain along with the new, conflicting language. It would add technical clarity to the bill to include exception or "notwithstanding" language to avoid statutory conflict.
 - The bill would allow amendment of a district's project plan with approval of the joint review board (with no other approvals required). This procedure conflicts with the current law procedure established in sec. 66.1105 (4)(h) requiring public notice and hearing, planning commission resolution, joint review board resolution and approval by the Department.
 - The bill does not require the planning commission to adopt a project plan amendment as required under sec. 66.1105 (4)(f).
 - The bill does not allow a municipality to incur expenditures for project costs until the Joint Review Board has approved the proposed expenditure, contrary to the current procedure in sec. 66.1105 (6)(am)3 which allows certain expenditures to be made prior to approval of the project plan, including costs directly related to planning the district.

- o The bill does not require that changes in the project plan be submitted to the Department as required under sec. 66.1105 (5).
- The bill is effective on the day after publication. The Department suggests an effective date of October 1, 2007, which would correspond with the tax incremental finance year that runs from October 1 through September 30.

Prepared by: Pam Walgren, (608) 266-7817

July 9, 2007

PW:skr

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WISCONSIN ALLIANCE OF CITIES

To: Members, senate Committee on Commerce, Utilities and Rail

From: Jason E Johns, Tenuta & Johns, on Behalf of The Wisconsin Alliance of Cities

Re: Support for SB 223

Date: August 23, 2007

Members of the Committee;

I am here today to express the Wisconsin Alliance of Cities support for SB 223. Economic vitality in our communities depends in large part on economically healthy TIF districts. Conversely, economically successful TIF districts depend on surrounding neighborhoods that are vibrant and thriving. If the neighborhood surrounding a TIF district is blighted or in economic disrepair, it has negative consequences on the TIF district it surrounds. This hurts the intent of forming the TIF district and consequently could lead to its failure. SB 223 would help to assure that any blighted neighborhoods surrounding a TIF district could be improved to assist the TIF district in being economically successful.

TIF districts have generated enormous economic growth since they were first enacted in Wisconsin in 1975. The new property value in TIF districts statewide last year stood at \$13.2 billion, according to the Department of Revenue.

West Allis has created more than \$60 million in new property value in its tax increment financing districts, \$1,000 in tax base for every citizen in its city.

In Racine, through 2004, nearly \$160 million in new property value was created through their TIF districts, quadrupling the value that was there before. That's nearly \$2,000 in additional property value for every man, woman and child in the community.

Manitowoc has created \$104 million in new property value in its tax incremental financing districts.

By using existing TIF revenue to improve the areas surrounding the TIF district, the TIF is able to be closed sooner. This results in quicker access to available revenue and property tax. Outside the district, enhanced property value pays immediate dividends for taxing jurisdictions.

SB 223 also allows all taxing authorities a seat on a board that approves or denies any requests to spend TIF revenue in surrounding areas. This assures that everyone affected by the request will have a say.

For these reasons we ask that you support passage of SB 223 as it makes sense and will help improve the economic vitality of all Wisconsin communities.

Thank you,

Jason E Johns, Esq.

Tenuta & Johns, Inc.

On Behalf of The Wisconsin Alliance of Cities.



TO: Members of the Senate Commerce, Utilities and Rail
Committee
FROM: Greg Hubbard on behalf of Robert W. Baird & Co., Inc.
DATE: August 23, 2007
RE: Support of SB 223, related to expanding the area in which a tax
incremental district's costs may be expended.

Tax Incremental Financing (TIF) has been the most successful economic development and redevelopment tool in Wisconsin since the TIF law was enacted in 1975. TIF for blighted, industrial and mixed-use developments have allowed local officials to better plan development and create jobs, and many formerly blighted areas have been remediated and developed, thereby increasing the tax base in communities all across the state.

In 2005, the legislature created a pilot project to allow the City of Kenosha to use TID project dollars to improve an area, including housing, within one-half mile of the TID boundary. Kenosha has shown that for blight, industrial and mixed-use development or redevelopment, the success of the neighborhoods surrounding a TID is vital to the success of the TID itself. This more comprehensive redevelopment view has shown promise in Kenosha and could be implemented in other areas of the state with success.

We support this expansion of the TIF law and believe it will benefit many communities across the state as they plan their economic development and redevelopment projects. Please support this proven, common sense change to the current law.

Thank you for considering our testimony regarding SB 223. If you have any questions please feel free to contact Greg Hubbard at 608-255-0566



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To: Senate Committee on Commerce, Utilities and Rail
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities
Date: August 23, 2007
Re: SB 223, Expansion of Area in which a TIF District's Project Costs may be Expended

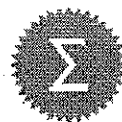
The League of Wisconsin Municipalities supports SB 223, providing for the expansion of the area in which a tax incremental finance district's project costs may be expended.

Tax incremental financing is the most effective tool available to municipalities to help stimulate economic development within the community. SB 223 would further enhance this device by making it possible for a community to spend TIF dollars from an existing TIF district on project costs within a half mile radius of that district if the expenditures are approved by the Joint Review Board.

The bill provides municipalities with the flexibility to address the need for additional improvements within the immediate vicinity of an existing TIF district without the cost or time delay involved in amending a TIF district boundary. The flexibility to expend funds from a successful district to an area immediately surrounding the district would be particularly helpful in achieving property value improvements and tax base stabilization in redevelopment or blighted areas.

We urge the Committee to recommend passage of this sensible bill.

Thanks for considering our comments.



EHLERS
LEADERS IN PUBLIC FINANCE

August 21, 2007

Members
Commerce, Utilities and Rail Committee
Wisconsin State Senate

RE: Support for Senate Bill 223

Dear Committee Members,

I would like to register support for Senate Bill # 223 which provides for the expansion of the area in which a tax incremental district's project costs may be expended.

Ehlers & Associates is a 52 year old independent financial advisory firm with its Wisconsin Office in the City of Brookfield. We serve as financial advisors to over 300 local units of government within Wisconsin and have assisted many of these clients with the creation of Tax Increment Districts.

The tax increment program is clearly the most powerful economic development tool available to local government to help stimulated new development or redevelopment that would not otherwise occur.

The proposed bill would further enhance this program by making it possible for a community to expend TIF dollars from an existing tax increment district for project costs within a half mile radius of that district.

We support this bill because:

1. The creation of an original TID boundary and project plan is the best estimate at the time of district creation of the costs and locations of anticipated development or redevelopment. With the passage of time and experience, communities sometimes find that there is a need to address additional improvements within the immediate vicinity of an existing district. This would help provide that flexibility without requiring the cost or time delay involved in a TID boundary amendment.

2. The provision of funds from a successful Tax Increment district to an area immediately adjacent would further lead to property value improvements and tax base stabilization, especially in redevelopment or blighted areas.

3. The City of Kenosha has successfully used this tool based on prior legislation that uniquely affects them. Based upon their positive experience, we believe this is a provision that should be extended to all communities in the State.

We are also aware of the Technical memorandum dated June 21, 2007 by Mr. Ziegler of the Department of Revenue. We would support any amendments of the bill needed to address the technical concerns raised by this memo.

Thank you for your consideration of our comments.

Very Truly Yours,
EHLER & ASSOCIATES, Inc.

A handwritten signature in black ink, appearing to read "Michael C. Harrigan", written in a cursive style.

Michael C. Harrigan, CIPFA
Chairman / Senior Financial Advisor



Wisconsin Economic Development Association Inc.

TO: Members, Senate Commerce, Utilities and Rail Committee

FROM: Amy Boyer, on behalf of
Wisconsin Economic Development Assn.

DATE: August 23, 2007

RE: **Support for Senate Bill 223**

The Wisconsin Economic Development Association, a statewide association consisting of over 400 economic development professionals, strongly supports Senate Bill 223 relating to expanding the area in which a tax incremental district's project costs may be expended.

TIF is virtually the only "tool" available to local economic development professionals and municipalities to help Wisconsin compete for business expansion and attraction. This legislation provides the opportunity to promote reasonable expansion of TIF as a significant part of economic development aimed at improving and enhancing Wisconsin's economy.

The City of Kenosha has successfully used this TIF enhancement through special statutory authority and we believe based on their positive experience it should be expanded for all municipalities state-wide.

Consistent with WEDA TIF Working Group member Mike Harrigan's statement, we support SB 223 for the following reasons:

1. The creation of an original TID boundary and project plan is the best estimate at the time of district creation of the costs and locations of anticipated development or redevelopment. With the passage of time and experience, communities sometimes find that there is a need to address additional improvements within the immediate vicinity of an existing district. This would help provide that flexibility without requiring the cost or time delay involved in a TID boundary agreement.
2. The provision of funds from a successful TID to an area immediately adjacent would further lead to property value improvements and tax base stabilization, especially in redevelopment or blighted areas.

We respectfully urge you to support SB 223. Thank you for your consideration.